



KOREFUSION

Super Apps:

An Overlooked Partnership
Opportunity For Money
Transfer Operators

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Super Apps: An Overlooked Opportunity for MTOs

MTOs should engage Super Apps as partners to avoid becoming competitors.

At A Glance

By coupling thousands of consumer services with payments, money transfers, and banking, Super Apps appeal to billions of banked and unbanked users.

Super Apps offer MTOs reach, digitization, convenience, and efficiency gains.

MTOs offer Super Apps international funding options, regulatory maturity, and brand loyalty.

Left unaddressed, Super Apps will become strong rivals. If engaged now, they can become excellent partners.

MTOs need to consider both strategy and their digital readiness to find the right Super App partner.

What Are Super Apps?

Super Apps are applications that offer multiple services within one app. They emerged in Asia in the mid-2010s. WeChat and Alipay were the first to gain traction by offering e-wallets and ecosystems of tens of thousands of apps and merchants ranging from ride share to gaming. Particular effort was made to offer alternative financial services for the unbanked. Today, each boasts millions of users and has inspired numerous copycats, from Gojek and Grab in Southeast Asia, to Rappi and Mivile in Latin America, to OPay and Tingg in Africa. Becoming a Super App is Facebook's global ambition and Uber's intended journey.

Today, Super Apps are potential albeit intriguing partners for Money Transfer Operators (MTOs). Tomorrow they will be formidable competitors. Why?

Many Super Apps are pioneering money transfer services but struggle with funding sources, international footprints, compliance, and with learning a new industry. Meanwhile, MTO's struggle with reach, convenience, and digitization – features Super Apps dominate.

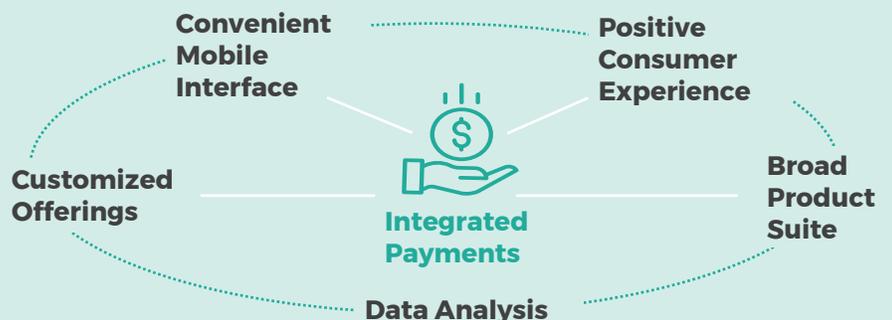
The current pandemic exacerbates the differences between the two players, but while MTOs face challenges, Super Apps are demonstrating record growth.

Super Apps are digitized and integrate payments and alternative financial services into their app ecosystems. Super Apps have large and growing client bases among banked and unbanked customers, and they allow customers to pay a wide array of services with their digital wallets that are traditionally paid in cash by receivers of remittances.

Traditional MTOs struggle with the high cost of cash and expenses related to maintaining an agent footprint but are a formidable source of e-wallet funding for Super Apps and can help Super Apps access new markets. Super Apps can help MTOs bridge the digital divide, reduce costs, and increase customer satisfaction.

Despite differences, there is significant complementarity between MTOs' world of cash remittances the digital ecosystems of Super Apps. We believe that MTOs should rapidly engage Super Apps as potential partners, rather than wait for them to become rivals.

Super App Payments Ecosystem



The Value Super Apps Have For MTOs

Super Apps Offer Value To MTOs Along Four Vectors

01. Online And Offline Interoperability

Remittance recipients often use cash transfers to pay multiple bills and services. Receiving remittances in cash is operationally expensive and can create safety and logistic vulnerabilities for the recipient. Super Apps are often connected to the services remittances are used to pay. Linking a remittance directly to a Super App reduces costs for MTOs that can be passed on to the recipient, and provides stickiness, convenience, and visibility of spend for the sender.

02. Large And Growing User Bases

Super Apps have a large, fast-growing, highly engaged user base particularly in emerging markets. The top eight Super Apps report over two billion active users, and millions more are engaging with other emerging Super Apps. WeChat and Alipay in China account for most of these users, while others like Kakao in South Korea and PayTM in India are seeing the fastest growth growth.

03. Payments And Digital Wallets

Super Apps use payments and digital wallets as convenient tools that reinforce their closed-loop ecosystems. Most Super Apps began in another vertical—ride share, delivery, messaging—and added payments as they expanded their service offerings. Payments emerged as a way to keep users inside the Super Apps' ecosystem while generating behavioral insights that facilitated innovation along the customer journey and service offering. Rather than develop their own digital wallets, MTOs can leverage the reach of Super Apps' digital wallets while serving as a cross-border funding mechanism.

04. Robust Financial Solutions

Super Apps are developing financial solutions for consumers and micro/small businesses and require behavioral insights to strengthen their offerings. Money transfer and micro-lending are two ways of getting this information. MTO partners can provide this valuable data that stems from remittances and bill payments. It is for this reason that several Super Apps are exploring partnerships with MTOs or developing their own remittance offerings. Notoriously, Ant Financial/Alipay tried to acquire MoneyGram and subsequently acquired WorldFirst.

Covid-19 Exposes Weaknesses And Complementarity

Super Apps display strong relevance amid the Covid-19 pandemic. During quarantines and calls for social distancing, they leverage the convenience of digital-first ecosystems and offline last mile delivery capabilities to grow.

Rappi, Latin America's leading food delivery service and emerging Super App, was downloaded 300,000 times in July—the highest month on record—and is now estimated to be used by 10% of households in the countries where it operates. Globally, Super Apps registered a 20% to as much as a 70% increase in food and grocery deliveries since April 2020.

In contrast, the same factors that are aiding Super Apps during Covid-19 are a burden on MTOs' resilience and agility. The lack of digital channels remains and a reliance on cash keeps operating; transaction expenses are high and inconvenience users and agents because cash is often regarded as a transmission vector.

The World Bank predicts a 20% fall in remittances in 2020 while Super Apps will grow by a similar percentage.

The World Bank's June report predicts a 20% fall in global remittances from US\$554 billion in 2019 to \$445 billion in 2020 and an estimated 69% of corridors to be severely disrupted. Admittedly, remittance flows in corridors such as the USA to Mexico are witnessing a spike—a trend attributed to a good portion of each one-time US\$1,200 individual tax reimbursement check making its way to Mexican families. This is a unique intervention that will succumb to the weight of high unemployment, inflation, and economic inactivity.

Diminished remittances will create losses for many MTOs as they keep up with salaries and location rent, tempting many to raise fees. Limitations on operating hours and location capacity aggravate circumstances. The closure of remittance locations in Singaporean shopping malls made it impossible for many Filipino workers to send money home.

When asked about how to respond to Covid-19, 64% of MTOs surveyed by the International Association of Money Transfer Networks (IAMTN) said digital channels are the solution, and many are accelerating plans to develop apps or are exploring partnerships with digital solutions providers.

Developing effective digital channels often requires mid-sized MTOs to double investment in IT and earmark at least 30% of the new IT budget to continued innovation. This is a considerable investment that can be subsidized by relying on Super Apps' digital wallet solutions.

Ideally, the entire remittance customer journey would be digital, resulting in up to a 65% saving in transaction costs. However, wages are often paid in cash and three-quarters of recipients are unbanked and deal with merchants and utilities that only accept cash. Cash is not disappearing anytime soon, but Covid-19 has shifted consumer preferences.

A global survey by Visa reveals that 68% of first-time digital payment users prefer sticking with digital payments once the dust settles. Super Apps are positioned to benefit from this. Firstly because they close the financial inclusion gap with alternative bank services. Secondly, they provide digital rails to merchants. MTOs are valuable to Super Apps on both accounts.

Super Apps want more of their users' money in their ecosystem to increase stickiness and drive transaction revenues from affiliated merchants. MTOs accomplish this efficiently. An estimated 83% of Super App users in Africa receive or rely on remittances. Allowing Africans in Europe and the USA to make purchases directly or fund relatives' accounts is central to e-marketplace-cum Super App, Jumia's value proposition. This also has the benefit of establishing toe-holds in new markets among the African diaspora.

More liquidity also facilitates the ability to offer micro-loan facilities and up to even mortgages. To do so efficiently and with reduced risk, Super Apps are hungry for data and borrower insights. Remittances are a de facto salary for many users and provide a window into disposable income. This translates into thicker credit files and better risk mitigation. When coupled with data derived from payments, better credit offerings can be made and the innovation cycle can feed off itself.

Did you know that 50% of the world's top Super Apps are already offering or exploring remittances?

MTO & Super App Partnership Considerations

Three considerations shape how MTOs partner with Super Apps.

Digital Readiness

MTOs should evaluate their own digital readiness. Super Apps are digitally native while most MTOs are married to physical cash and infrastructure of agents and are not digitally fluent. In fairness to Super Apps, MTOs must ask themselves if they are attractive digital candidates. They need to ask themselves where they are on their digital journey and what level of digital enablement they can or want to adopt and support. When considering partners, MTOs should think about which Super Apps and fintech solutions best match or support their digital capabilities.

Use of Consumer Data

Consumer data offers opportunities and challenges. Super Apps gain behavioral insights when they link remittances to e-wallet purchases and financial services. MTOs need to ask themselves what data they would like from Super Apps in exchange in order to improve the customer journey and push innovation. This question also needs to consider what data safeguarding requirements need to be ensured, and what the effects are on KYC (Know Your Customer).

Geographic Fit

When considering partners, MTOs will naturally look for those Super Apps that offer the best geographic fit. Partnering with the largest Super App in the largest outbound market might seem like a logical objective, but this may come at the expense of profit and market share in other corridors. Super Apps do not yet play nicely with each other and partnering with one might close the door to others. Similarly, MTOs may find that margins in smaller corridors, or their own customer's preferences and trust, are what determine which Super App to partner with. For example, if an MTO is targeting migrant communities, they may wish to partner with the Super App of the migrant's home country even if that is not the dominant Super App in their country of residence.

A Wider And More Flexible Distribution Opportunity

Super Apps' Offers For MTOs:



- Additional distribution channels
- Opportunity to appeal to both banked and unbanked MTOs
- Transparency for senders
- Convenience for receivers
- Consumer insights

MTOs' Offers For Super Apps:



- New revenue flow
- Differentiation
- Convenience and stickiness for consumers
- Data insights and upsell (e.g. additional financial data)
- Merchant partner upsell and satisfaction (e.g. targeted spend)

User Data And Convenience Are The Axis Of A Win-Win Partnership

The Way Forward

The partnership between Super Apps and MTOs hinges on the digital readiness of MTOs.

The consumer journey is increasingly digital. The partnership between Super Apps and MTOs hinges on the digital readiness of MTOs. If MTOs successfully digitize, they remain relevant and cement their place in the digital ecosystem. If they fail, Super Apps will become formidable rivals.

Digitization directly translates to market value and relevance. Recent funding rounds for digital MTOs including Remitly, Transferwise and AirWallex reinforce the value of a digital strategy for traditional MTOs. Super Apps, meanwhile, have ridden the wave of and mobile first digital interaction and mobile phone penetration to build large, engaged, and growing user bases that overlap significantly with those of MTOs.

By partnering with Super Apps, both traditional and digital first MTOs have an opportunity to create operational efficiencies and increase relevance with their users in new ways. MTOs also have to provide a minimum threshold of digital readiness to be worthy partners.

MTOs have a number of important considerations they need to balance as they begin or continue their digital journey. As learned in other financial services sectors, the process of becoming a digital company requires not just upgrading internal systems, but also developing a robust partnership strategy. For MTOs this means complementing and supplementing their core offering while adding additional data for actionable insights.

With this need in mind, Super Apps represent compelling partners with large and growing client bases and a wide array of services that can be paid for with remittances. In this way, the lifeline of inbound remittance funds is complemented by the convenient stickiness of Super Apps' closed-loop ecosystems, thereby forming a win-win partnership.

Origin Of The Term Super App

In 2010, BlackBerry founder Mike Lazaridis introduced the term at the "2010 BlackBerry Super Apps Developer Challenge." The focus on Super Apps was meant to encourage developers to "deliver the most engaging experiences possible for BlackBerry users." Lazaridis' insights pointed out that BlackBerry's most popular apps were the ones that appeared native and did not require the user to exit the app to perform other functions. He then described Super Apps as "the kind of apps that people love and use every day because they offer such a seamless, integrated, contextualized and efficient experience."

Different From The Norm. At Your Service.

KoreFusion provides digital strategy and advisory services to MTOs, Super Apps, and payments and fintech companies across the globe.

If we can help you with your digital journey, please let us know.



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KoreFusion's Experience

Over the past 18 months, KoreFusion has led over 50 global engagements related to commercial payments and real time payments, and has worked with leading corporates, payment networks, clearinghouses, regulators, and ERPs/intelligent business platforms worldwide to address their emerging challenges around payments and financial technology from both a strategy and M&A perspective.

For more insights from the KoreFusion team, and to discuss how these trends impact your business, please contact us.

KoreFusion uniquely combines strategy consulting and M&A advisory services exclusively for the international fintech, payments, and financial services industries. With six international locations, our experts balance global best practices with local priorities and expertise.

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- **Push & Account-to-Account Payments**
- **B2B & Commercial Payments**
- **P2P & P2M Payments**
- **Credit, Debit, Prepaid & Commercial Cards**
- **Merchant Acquiring & Payment Processing**
- **Money Transfer & Remittances**
- **Supply Chain Digitization & Finance**
- **Consumer & Commercial Lending**
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